

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Enjoy a Long, Healthy Life

“I will apply a common sense, cost-effective approach and commitment to reform in meeting the health care challenges facing Missouri.”

Governor Bob Holden

The changing economics of health care pose major challenges for Missourians and the rest of the nation. Managed care, the rising costs for pharmaceuticals, hospital mergers, corporate take-overs, and the need to protect sensitive patient data have all created new tensions between the business side of health care and the needs of practitioners and their patients. Governor Holden is committed to improving the health of Missourians. His Fiscal Year 2003 budget will protect tobacco settlement funds for smoking prevention and cessation programs and provide senior citizens with assistance for their prescription drug costs. In addition, the Governor proposes several legislative initiatives to protect consumers from unfair business practices. In his first year, Governor Holden accomplished the following to make Missouri a healthier, and more consumer friendly, place to live:

- Signed legislation to provide relief to seniors for the high costs of prescription drugs. House Bill 3 and Senate Bill 4 were signed into law in October 2001. The Governor made his appointments to the commission overseeing the new Senior Rx Program on October 31, 2001.
- Signed legislation to provide comprehensive protections for women's health to improve the lives and life expectancies of women in Missouri. This important law will provide Missouri women direct access to the health care providers most often visited for women's health issues, OB/GYNs, and grant women the opportunity to access critical contraceptive coverage. It also requires health plans to notify all enrollees about cancer screenings offered as benefits and expands Medicaid coverage to low-income women diagnosed with breast and cervical cancer. House Bill 762 was signed into law on June 21, 2001.
- Signed legislation to reorganize the former Division of Aging and Department of Health to form a new Department of Health and Senior Services. The bill also established a new State Board of Senior Services to advise the department about rules, regulations, budgeting, planning, and operations related to senior services. House Bill 603 was signed into law on June 26, 2001.
- Signed legislation to protect Missouri consumers from high interest rates and loss of property. New laws tighten regulations for payday and title loan companies and increase consumer protection measures. House Bill 738 and Senate Bill 186 were signed into law on July 12, 2001.
- Budgeted \$133 million for one-time grants to increase efficiency and quality of care in nursing homes.
- Budgeted \$18.7 million for a comprehensive tobacco prevention, education, and cessation program. These funds will be invested in efforts endorsed by the Centers for Disease Control and Prevention (CDC), which are proven to reduce youth smoking.
- Signed legislation to curb underage smoking by making it illegal for minors, under the age of 18, to possess tobacco products. House Bill 381 was signed into law on July 13, 2001.

- Budgeted \$3.4 million for a one-time grant for the Missouri Telehealth Resource Center (MTRC). Many Missourians, rural and urban, live in areas with inadequate access to basic health care. The MTRC will train local health care providers from Missouri's underserved communities to use telehealth technology, work with local providers and citizens to develop feasible telehealth projects in their communities, and provide telehealth equipment capable of using the Internet to improve access to high quality health care.
- Budgeted \$1.2 million to expand Medicaid coverage to women who are diagnosed with breast or cervical cancer through the CDC. Breast and cervical cancer survival rates are very high when cancer is detected in its early stages. With this in mind, a CDC program was created in 1990 to offer early cancer screening for low-income women who do not qualify for Medicaid. However, the program did not provide treatment for any of the screened women who were diagnosed with cancer. The new Medicaid coverage will fill this gap and ensure that the women in Missouri who test positive for cancer have access to treatment.

SUPPORTING MISSOURI SENIORS

Demographic information indicates that 18 percent of Missouri residents are over the age of 60 and seniors will comprise 25 percent of the state's population by 2020. Missouri ranks 12th nationally in the percent of population age 65 and over. The cost of health care-related services for senior citizens continues to skyrocket. Low-income seniors must make difficult choices on how to spend their limited resources. Governor Holden has made addressing the rising cost of prescription drugs a priority of his administration and recommends additional initiatives to protect Missouri's 750,000 senior citizens.

Prescription Drug Relief

For too long, the affordability of prescription drugs for Missouri seniors has been a serious concern. Prescription drug coverage is still excluded from Medicare, and separate insurance to cover prescription drugs is very costly. For too long, the affordability of prescription drugs for Missouri seniors has been a serious concern. Prescription drug coverage is still excluded from Medicare, and separate insurance to cover prescription drugs is very costly. Americans 65 and older pay an average of \$1,205 a year for prescription medications, up from \$559 in 1992. This cost is expected to rise to \$2,810 by 2010. Many seniors must make difficult choices about which of their prescriptions to forgo, possibly leading to serious health care consequences. This is evident by the fact that seniors without

prescription drug insurance average nearly eight fewer prescriptions per year than those with insurance.

In 2001 the General Assembly failed to pass the Governor's prescription drug plan. The Governor called the General Assembly back for a special session in September to address this important issue. They passed a plan Governor Holden signed into law, creating the Missouri Senior Rx Program to provide benefits to seniors who need assistance the most. This legislation:

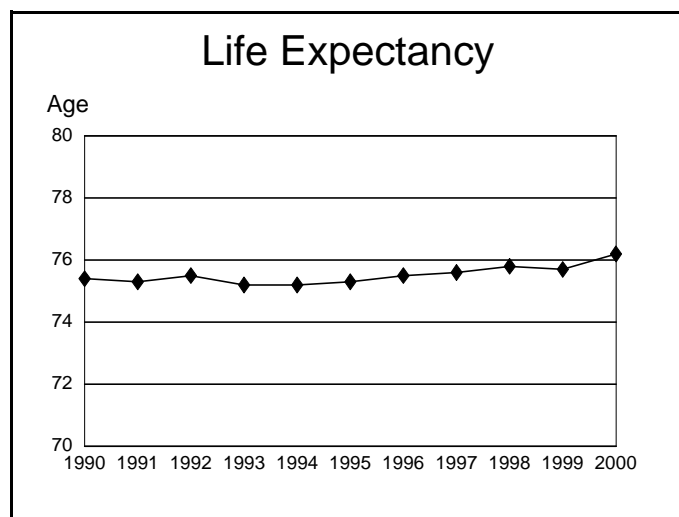
- Establishes a fifteen-member commission to oversee implementation of the Missouri Senior Rx Program and ensure it stays within budget.
- Provides drug coverage for seniors with individual incomes below \$17,000 or household incomes below \$23,000.
- Allows each eligible senior to save up to \$5,000 per year. The average savings estimate per participant is \$1,300 annually.
- Is estimated to serve 55,000 seniors in Fiscal Year 2003 and 80,000 next fiscal year through the Missouri Senior Rx Program.
- Sunset the current prescription tax credit for seniors on December 31, 2001.

Since passage of the legislation, the Governor has appointed the members of the Senior Rx Commission, chaired by Lt. Governor Joe Maxwell. Proposals to administer the program for the state are currently being reviewed. Seniors can enroll in the program between April 1 and May 31, 2002. The program will begin July 1, 2002. Governor Holden's Fiscal Year 2003 budget includes \$75.8 million to implement the first year of the Missouri Senior Rx Program.

Long-term Care Insurance

Long-term insurance policies have been offered since the early 1980's when coverage was largely limited to skilled or custodial nursing care in a residential facility. Seniors living longer and the aging of the baby-boom population have increased the market for these policies. Since 1993 the number of policyholders has more than doubled and the average premium has almost tripled. Missouri's long-term care insurance law has

not been updated for over a decade and has become out-of-date and ineffective. In recent years, consumer complaints to the state's Department of Insurance about long-term care insurance have increased by 150 percent. Most of these complaints center on a perceived promise or misrepresentation that initial rates would not change over the life of the policy. To protect consumers and improve the quality of long-term care coverage in Missouri, Governor Holden proposes that the state's Department of Insurance be allowed to issue regulations that have been endorsed by the National Association of Insurance Commissioners.



2002 Legislative Initiative Long-term Care Insurance Policies

Missouri's law that governs the sale of long-term care insurance allows insurers to price long-term care policies cheaply and then compensate with large rate hikes as time passes. Governor Holden recommends that the law be strengthened to meet national standards, including:

- Expanding and further qualifying the definition of "federally qualified long-term care insurance".
- Requiring companies to disclose rate increase history on the same or similar policies.
- Requiring substantial justification to support any proposed premium increase.

Protection of Nursing Home Residents

Over 58,000 elderly and adults with disabilities currently reside in long-term care facilities. While most facilities annually meet state requirements for health and safety, there are a few facilities that continue to be in and out of compliance. During Fiscal Year 2001, 14 facilities were repeatedly issued notices of non-compliance for failure to meet state requirements for the safety and health needs

of their residents. Three had notices of non-compliance due to repeatedly placing residents in imminent danger. In Fiscal Year 2001, 36 of the 500 Medicare-certified facilities in Missouri received repeated violations of federal requirements that resulted in actual harm to residents. In order to better protect residents in long-term care facilities, the Governor supports additional measures to strengthen Missouri's long-term care laws.

2002 Legislative Initiative Strengthening Nursing Home Licensure

Currently the state Department of Health and Senior Services cannot consider the performance history of the owner/operator of the facility when they are seeking a new license to expand an existing facility or build a new facility. The Governor supports legislation that:

- Gives the Department of Health and Senior Services authority to consider performance history of an owner/operator who is seeking a new license.
- Provides a mechanism in the state licensure law that allows the state to sanction facilities with repeat, serious violations.
- Allows the state to obtain additional financial information about potential operators to help ensure they have sufficient resources to operate and will not have to shutdown the facility, leaving their residents with no place to live.

MAINTAINING ADEQUATE ACCESS TO HEALTH CARE

Governor Holden's Fiscal Year 2003 budget mirrors a problem all states are currently grappling with, the high cost of health care. According to the Centers for Medicare and Medicaid Services (CMS), health care spending in the United States rose to \$1.3 trillion in 2000, a 6.9 percent increase over the previous year. This increase was the highest annual increase recorded since 1993, when spending rose by 7.3 percent, and is the fastest acceleration of spending in twelve years. In Fiscal Year 2000, nationwide Medicaid spending totaled approximately \$207 billion in state, local, and federal funds. In Missouri, Fiscal Year 2001 Medicaid spending totaled \$3.8 billion.

Medicaid expenditures continue to grow due to a number of factors including increased prescription drug costs, medical inflation, expansion of community-based, long-term care programs, increased enrollment, and changes in demographics. This year's budget reflects trends occurring nationally, as health care, hospital, and pharmaceutical costs continue to

outpace inflation and states struggle for solutions to slow Medicaid costs.

Ensuring Access to Health Care for Low-Income Missouri Children

The federal Balanced Budget Act of 1997 contained funding for states to initiate and expand health insurance coverage for uninsured children through the Children's Health Insurance Program (CHIP). CHIP represents the largest expansion of access to children's health care since the creation of Medicaid in 1965. The General Assembly enacted legislation to expand health care coverage through the Children's Health Initiative (Senate Bill 632, 1998).

This legislation:

- Made health insurance available to thousands of Missouri's uninsured who did not otherwise have access to health care.

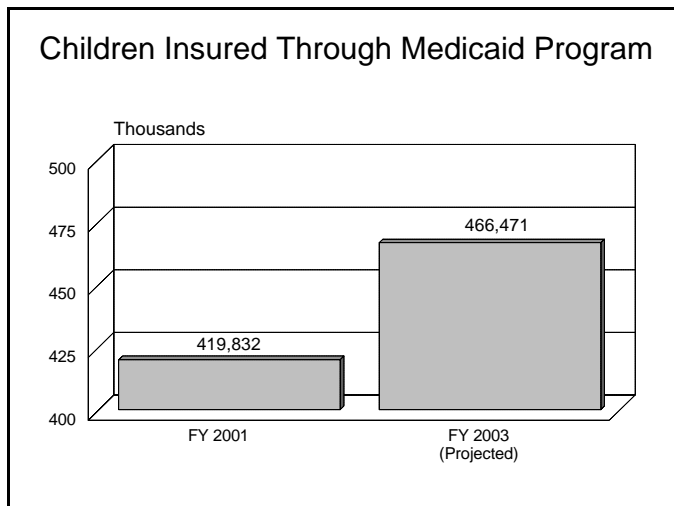
2002 Legislative Initiative Children's Health Insurance Program

Governor Holden is committed to continuing vital health care access for low-income Missouri children. CHIP is a federal and state funded program that offers health insurance coverage to uninsured children. The Governor recommends CHIP be continued so children do not lose this critical health insurance coverage, because:

- Preventive care costs taxpayers less in overall health care costs. Uninsured families tend to only seek services when an acute problem arises, by which time treatment and recovery take longer and are more costly. Under CHIP, children have 38 percent fewer preventable hospitalizations and 22 percent fewer emergency room visits for asthma.
- Children who are unhealthy due to a lack of access to primary and preventive services miss more days of school and are often not ready to learn when at school. With CHIP, the percentage of school days missed by children has decreased 39 percent.
- To be eligible for the CHIP Program, children must be uninsured for at least six months and have a family income below 300 percent of the federal poverty level (FPL). Families with incomes above 185 percent of the FPL must pay copayments and those with incomes above 225 percent of the FPL must also pay a monthly premium. Children between 226 and 300 percent of the FPL make up less than four percent of the total children enrolled in the program and cost only \$1.9 million total per year.
- The CHIP Program represents only two percent of the total Medicaid budget.

- Ensured that children receive immunizations and periodic physical examinations.

Unless renewed, the Children's Health Initiative will expire on July 1, 2002. To continue this very successful program and maintain health care services for 78,000 Missouri children, Governor Holden calls on the General Assembly to extend CHIP.



Medicaid Cost Controls

To address escalating health care costs in Missouri, the Governor's budget includes numerous cost containment measures to curtail Medicaid expenditures. Even with the implementation of these cost containment efforts in the state's Medicaid program, Governor Holden continues his commitment that children receive access to vital health care coverage through the Medicaid program. No child will lose health insurance coverage as a result of these cost control efforts. The Governor's Fiscal Year 2003 budget proposes:

- Increasing the level of disability required for eligibility for in-home and nursing home services. By increasing the disability level, Missouri will focus in-home and nursing home services on those Missourians who most need the care, thus enabling the state to continue long-term funding of Medicaid services. Estimated savings - \$27.1 million.
- Containing pharmacy costs, including a plan to prior authorize all new drugs coming onto the market. According to

CMS, drug spending accounted for more than a quarter of the total growth in personal health care spending between 1999 and 2000. In addition to the aging of the population, the introduction of new therapies for chronic conditions has gradually added to the average number of prescriptions purchased. Retail prescriptions per capita have increased to 10.5 per person in 2000, from 8.3 in 1995. Prior authorizing all new drugs purchased through the Medicaid program will ensure that new drugs have actual health benefits for Medicaid recipients in the state. In addition, Medicaid will cease reimbursement for over-the-counter drugs, allowing Medicaid to more closely mirror the health care benefits enjoyed by most Missourians. Estimated savings for pharmacy cost containment proposals - \$50.4 million.

- Modifying or eliminating optional Medicaid services for adults. Although Missouri has opted to cover dental and optical services for adults in the Medicaid system in the past, in order to ensure the solvency of the Medicaid system, it has become necessary to end coverage provided for these optional Medicaid services. Estimated savings - \$16 million.
- Instituting policy changes in the Medicaid Spend-down Program. Spend-down allows eligible Missouri residents to spend-down their income in order to qualify for Medicaid benefits. Currently, the program allows participants to incur, not pay, expenses in order to qualify for the spend-down program. By instituting a policy change that requires recipients to actually pay these costs, the state will continue to be able to provide this service to eligible recipients. Estimated savings - \$20.6 million

Even with the cost containment plans proposed by the Governor, Medicaid costs continue to increase. In order to address caseload growth and inflationary increases for health care services, the Governor's Fiscal Year 2003 budget includes:

- \$132.6 million for anticipated costs of existing Medicaid programs to ensure that all program cores are sufficiently funded to meet projected expenditures.

- \$117.8 million for increased costs of prescriptions, utilization of pharmacy prescriptions by the elderly and those with disabilities, and other anticipated increases.
- \$94.6 million for anticipated caseload increases in Medicaid programs.
- \$63 million for one-time, start-up grants to increase efficiency and quality of care in nursing homes.
- \$60.4 million to increase dispensing fees paid to pharmacists.
- \$1 million to fund targeted case management services for the elderly.

Improving Public Health Services

The public health system plays a central role in developing and implementing programs to safeguard the public's well-being. Additional resources will improve the lives of Missourians with disabilities and implement several new legislative initiatives passed by the General Assembly. The Governor recommends:

- \$23.8 million to increase the Personal Care Assistance Program for Medicaid-eligible Missourians, allowing individuals with disabilities to choose to receive services in the community rather than in a nursing home.
- \$868,076 to expand newborn genetic screening as authorized in House Bill 279 (2001). This will allow for early detection and treatment of genetic diseases that dramatically impact the health of children.
- \$275,102 to allow the Department of Health and Senior Services to develop and implement a new comprehensive quality monitoring and training system, including training requirements for long-term care providers, as required by House Bill 603 (2001).
- \$106,678 to expand the Family Care Safety Registry to include additional in-home service providers as passed in Senate Bill 48 (2001).
- \$58,987 to implement the Lupus Program in the Department of Health and Senior Services, as outlined in House Bill 106 (2001).

Tobacco Prevention and Cessation

In 1998, the National Association of Attorneys General announced a national settlement agreement with five major tobacco companies. Missouri was part of this settlement. In May 2001, Missouri received its first payment of the Tobacco Settlement proceeds. It is estimated that the state will receive about \$164 million during Fiscal Year 2003. Because of the state's current revenue situation, it is not prudent to begin dozens of new programs when existing programs are being cut. The Governor recommends using a portion of the tobacco proceeds to pay for core health care programs while retaining a portion for the most critical investments that will improve the lives of Missourians in the future.

Tobacco use in Missouri is one of the highest in the nation; 27 percent of adults smoke. Even more alarming are recent studies that one-third of Missouri teenagers are smoking. As a result, Missouri ranks well above average in smoking-related diseases such as heart disease, cancer, and emphysema. Several states have made investments in tobacco prevention and tobacco use reduction programs. To decrease the costly and deadly impacts of smoking and to help contain future health care costs in Missouri, Governor Holden supports Fiscal Year 2003 funding of \$22.2 million to support smoking cessation, prevention, and anti-smoking education. These funds will be invested in efforts endorsed by the CDC, which have been proven to reduce youth smoking in other states.

In addition, the Fiscal Year 2003 budget includes:

- \$477,993 to implement a tobacco law enforcement program to curb underage smoking as required by HB 381 (2001).

State Employee Health Care

Health care costs continue to rise for all Missourians, including state employees. In Fiscal Year 2002 the General Assembly passed and the Governor approved an increase of more than \$61 million to help cover the rising costs of health care for state employees. In addition, the Governor has pledged to increase funding by an additional \$8.7 million to maintain the state subsidy level for employee health care through the current

fiscal year. Although the state employees' portion of health care costs have gone up an average of 12 percent, if the Governor had not approved this increased funding, employees would have experienced increases of more than three times that amount.

The Governor is recommending the following in Fiscal Year 2003 to help contain the cost of health care for state employees and their families:

- \$18.5 million to continue the current state subsidy level for employee health care benefits through calendar year 2002.
- \$3.1 million to fund Senate Concurrent Resolution 27 (2001). The resolution recommends basing the state contribution toward retiree health care premiums on an employee's length of service with the state. This will add value to the current benefits package and encourage employees to continue in state employment with a career goal of 30 years of state service.
- \$5.6 million to set up a reserve for a self-insured HMO plan for certain areas of the state that aren't well served under existing contracts.

PROTECTING MISSOURI CONSUMERS

Missouri consumers have a right to be treated fairly by the companies with which they do business. All Missourians should have equal access to reasonably priced goods and services and should be able to trust that the companies they deal with will keep any confidential information private. The state works with Missouri consumers every day to ensure these rights are protected. The state does this by investigating and taking action on consumer complaints, offering educational seminars and materials so consumers can make informed decisions, and providing direct assistance when needed. Unfortunately, there will always be some businesses that take advantage of Missouri consumers. In 2001 alone, the Missouri Department of Insurance and the Office of the Public Counsel received over 7,000 consumer complaints. To limit these instances of unfair business practices, the Governor recommends innovative legislative initiatives to keep medical records private, prevent credit scoring, and protect Missourians from high energy costs.

Ensuring the Privacy of Patient Medical Records

The remarkable achievements that have been made in the medical and technological fields are forcing lawmakers throughout the country to rethink the issue of medical privacy so that all of our citizens are protected. Technology has enabled rapid and easy access to vast amounts of digitized information. However, the computerization of large medical records databases and the growth of integrated managed care make it more challenging than ever to ensure that patient privacy is not violated.

2002 Legislative Initiative Medical Privacy

Governor Holden proposes uniform disclosure and abuse prohibitions to provide patient protections without stifling important medical research or quality assurance efforts, including:

- Protecting medical records by a clear and comprehensive set of disclosure and abuse prohibitions to ensure that no business, insurance company, or government agency misuses a patient's private medical record.
- Ensuring that patients have a civil remedy for damages due to illegal use of private medical information.

Credit Scoring

The use of credit history as an underwriting tool reportedly began with a study that presumed a correlation between insurance losses and credit scores. This underwriting or rating variable for insurance policies possibly establishes a premium cost based upon the economic profile and financial stability of the insured, and has the potential to adversely impact large segments of our society including farmers, seniors, and minorities. This unfair practice of “credit scoring” leaves thousands of Missourians without insurance coverage, financially vulnerable, and with very costly coverage as their only option.

2002 Legislative Initiative Credit Scoring

Governor Holden calls on the General Assembly to ensure that credit history information is applied in a non-arbitrary manner, is actuarially justified, and provides consumers with the opportunity to respond to inaccurate information by:

- Requiring insurers to have a written standard governing their use of credit information on applicants and policyholders.
- Defining the minimum requirements for written standards and permissible uses for credit scoring in underwriting.
- Requiring disclosure of precise reasons for denial of coverage as a result of credit factors.
- Allowing policyholders to be re-underwritten by request if improved or established credit could potentially entitle the insured to a better rate.

Protecting Missourians from High Energy Costs

During last year's record cold winter, the volatile natural gas and propane markets created hardships for many Missourians struggling to pay their heating bills. Gasoline prices also rose and fell throughout the year, often in patterns that seemed inexplicable. Gasoline price spikes associated with the events of September 11 led the public and policymakers to rethink how energy is generated and delivered to the American people. Governor Holden appointed a task force to study energy practices in the state. The Governor's Energy Policy Task Force submitted its final report in October 2001.

2002 Legislative Initiative Assistance with Energy Costs

To implement recommendations from the Governor's Energy Policy Task Force and ensure that Missouri consumers are protected and have access to adequate, fairly priced energy, the Governor proposes legislation that:

- Authorizes the Public Service Commission to order limited types of refunds to assist needy customers. The Commission would be granted authority to allocate unauthorized use charges, penalties, or refunds received by gas corporations to assist needy Missourians.
- Authorizes the Public Service Commission to implement low-income payment programs. Low-income payment programs help low-income customers avoid disconnection of service.
- Enhances the Attorney General's authority to issue cease and desist orders that have an immediate impact on energy prices and excess profits during times of emergency. Current law does not provide adequate tools to ensure an immediate termination of price gouging during times of emergency, leaving consumers vulnerable to price spikes based upon misleading and false information.